

Avivagen Inc.

Unaudited Interim Financial Statements

30 April 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these interim financial statements.

Management's Statement of Responsibility

The unaudited interim financial statements of Avivagen Inc. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those which it deems most appropriate in the circumstances in order to ensure that the unaudited interim financial statements are presented fairly, in all material respects, in accordance with IFRS.

The Board of Directors of Avivagen Inc. ensures that management fulfills its responsibilities for financial reporting and internal control through an audit committee. This committee meets periodically with management and the external auditor to discuss internal controls, auditing matters, and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The committee reviews the financial statements and reports to the Board of Directors. The external auditor has full and direct access to the audit committee.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, the disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 will result in additional risks to the quality, reliability, transparency and timeliness of annual and interim filings and other reports provided under securities legislation.

In contrast to the certification required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), Avivagen Inc. does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. In particular, the Interim CEO and CFO filing these financial statements are not making any representations relating to the establishment and maintenance of:

- i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and/or reported within the time periods specified in securities legislation; and
- ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS reporting.

APPROVED BY

(Signed)

Kym Anthony Interim CEO

(Signed)

Chris Boland CFO (CPA, CA, CMA)

Unaudited Interim Statements of Comprehensive Loss
For the three and six months ended 30 April 2018 and 30 April 2017

	Note	3 months ending 30 April 2018	3 months ending 30 April 2017 Note 24 - Restated	6 months ending 30 April 2018	6 months ending 30 April 2017 Note 24 - Restated
Continuing operations					
Revenues	3(b), 6	\$ 218,879	\$ 5,529	\$ 362,075	\$ 45,810
Cost of products sold	13	82,412	2,191	137,476	14,533
Gross margin		136,467	3,338	224,599	31,277
Selling, general and administration	19	921,447	1,239,538	2,010,600	2,104,740
Research and development	19	168,654	148,300	345,704	270,221
Depreciation of equipment	12	222	-	222	-
Interest on long-term debt	10	42,179	38,761	83,669	77,209
Interest on research and development repayable funding	9, 24	18,077	12,880	34,660	24,696
Amortization of transaction costs on long-term debt	10	5,443	5,443	10,887	10,886
Total expenses		1,156,022	1,444,922	2,485,742	2,487,752
Loss before income taxes from continuing operations		(1,019,555)	(1,441,584)	(2,261,143)	(2,456,475)
Income Taxes					
Current and deferred income tax expense	3(c), 7	-	-	-	-
Total comprehensive loss for the period from continuing operations		(1,019,555)	(1,441,584)	(2,261,143)	(2,456,475)
Total comprehensive loss for the period from discontinued operations	6	-	(22,007)	-	(39,112)
Total comprehensive loss for the period from continuing and discontinued operations		\$ (1,019,555)	\$ (1,463,591)	\$ (2,261,143)	\$ (2,495,587)
Loss per share, basic and diluted from continuing operations	8	\$ (0.03)	\$ (0.05)	\$ (0.07)	\$ (0.09)
Loss per share, basic and diluted for discontinued operations	6	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average common shares issued and outstanding basic and diluted	8	33,229,600	29,068,153	32,570,597	28,912,729

Unaudited Interim Statements of Financial Position
As at 30 April 2018, 31 October 2017, and 31 October 2016

	Note	30 April 2018	31 October 2017 (Audited)	31 October 2016 Note 24 - Restated (Audited)
Assets				
Current Assets				
Cash and cash equivalents	21	\$ 3,070,064	\$ 1,600,137	\$ 5,142,401
Trade and other accounts receivable	14	93,883	99,002	40,732
Prepaid expenses		89,240	60,132	10,562
Inventories	13	266,820	90,416	2,500
Total Current Assets		3,520,007	1,849,687	5,196,195
Non-current Assets				
Equipment	12	69,317	-	-
Total Non-current Assets		69,317	-	-
Total Assets		\$ 3,589,324	\$ 1,849,687	\$ 5,196,195
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payables and accrued liabilities	18	\$ 543,508	\$ 500,202	\$ 480,271
Research and development repayable funding	9, 24	25,566	25,566	1,055
Long-term debt	10	80,156	78,165	147,129
Total Current Liabilities		649,230	603,933	628,455
Non-current Liabilities				
Research and development repayable funding	9, 24	193,190	158,530	130,117
Long-term debt	10	972,088	918,438	797,694
Total Non-current Liabilities		1,165,278	1,076,968	927,811
Total Liabilities		1,814,508	1,680,901	1,556,266
Shareholders' Equity				
Share capital	15	22,609,403	19,910,051	18,119,041
Contributed surplus	16, 17	3,131,237	2,712,880	2,995,099
Accumulated deficit	24	(23,965,824)	(22,454,145)	(17,474,211)
Total Shareholders' Equity		1,774,816	168,786	3,639,929
Total Liabilities and Shareholders' Equity		\$ 3,589,324	\$ 1,849,687	\$ 5,196,195

Going Concern - Note 1

Unaudited Interim Statements of Changes in Equity
For the three and six months ended 30 April 2018 and 2017 (Expressed in Canadian dollars)

Note Reference	Shares Outstanding	Share Capital	Contributed Surplus			Total Contributed Surplus	Deficit	Total Shareholders Equity
			Warrants	Stock Options	Stock Appreciation Rights			
	15	15	16	17	17		Note 24 - Restated	
Balance as at October 31, 2016	27,788,506	\$ 18,119,041	\$ 1,812,346	\$ 989,498	\$ 193,255	\$ 2,995,099	\$ (17,474,211)	\$ 3,639,929
Loss for the period from continuing operations							\$ (1,014,891)	\$ (1,014,891)
Loss for the period from discontinued operations							\$ (17,105)	\$ (17,105)
Exercise of warrants	1,276,849	\$ 1,674,516	\$ (397,345)			\$ (397,345)		\$ 1,277,171
Exercise of stock options	100	\$ 119		\$ (54)		\$ (54)		\$ 65
Vesting of share-based payments				\$ 43,816		\$ 43,816		\$ 43,816
Warrants and options expired in the period			\$ (100,528)			\$ (100,528)	\$ 100,528	
Balance as at January 31, 2017	29,065,455	\$ 19,793,676	\$ 1,314,473	\$ 1,033,260	\$ 193,255	\$ 2,540,988	\$ (18,405,679)	\$ 3,928,985
Loss for the period from continuing operations							\$ (1,441,584)	\$ (1,441,584)
Loss for the period from discontinued operations							\$ (22,007)	\$ (22,007)
Exercise of warrants	12,500	\$ 19,675	\$ (4,675)			\$ (4,675)		\$ 15,000
Exercise of stock options				\$ 41,497		\$ 41,497		\$ 41,497
Vesting of share-based payments								
Warrants and options expired in the period			\$ (41,407)			\$ (41,407)	\$ 41,407	
Balance as at April 30, 2017	29,077,955	\$ 19,813,351	\$ 1,268,391	\$ 1,074,757	\$ 193,255	\$ 2,536,403	\$ (19,827,863)	\$ 2,521,891
Loss for the period from continuing operations							\$ (1,250,567)	\$ (1,250,567)
Loss for the period from discontinued operations							\$ (31,848)	\$ (31,848)
Exercise of warrants	72,060	\$ 82,627	\$ (26,565)			\$ (26,565)		\$ 56,062
Exercise of stock options	11,040	\$ 14,073		\$ (6,020)		\$ (6,020)		\$ 8,053
Vesting of share-based payments				\$ 112,092		\$ 112,092		\$ 112,092
Warrants and options expired in the period				\$ (617)		\$ (617)	\$ 617	
Balance as at July 31, 2017	29,161,055	\$ 19,910,051	\$ 1,241,826	\$ 1,180,212	\$ 193,255	\$ 2,615,293	\$ (21,109,661)	\$ 1,415,683
Loss for the period from continuing operations							\$ (1,338,603)	\$ (1,338,603)
Loss for the period from discontinued operations							\$ (19,056)	\$ (19,056)
Vesting of share-based payments				\$ 110,762		\$ 110,762		\$ 110,762
Warrants and options expired in the period				\$ (13,175)		\$ (13,175)	\$ 13,175	
Balance as at October 31, 2017	29,161,055	\$ 19,910,051	\$ 1,241,826	\$ 1,277,799	\$ 193,255	\$ 2,712,880	\$ (22,454,145)	\$ 168,786
Loss for the period from continuing operations							\$ (1,241,588)	\$ (1,241,588)
Issuance of share capital in private placement	4,058,500	\$ 4,058,500						\$ 4,058,500
Issuance of investor warrants in private placement		\$ (856,195)	\$ 856,195			\$ 856,195		
Issuance of agent warrants in private placement		\$ (154,278)	\$ 154,278			\$ 154,278		
Issuance cost of share capital		\$ (396,905)						\$ (396,905)
Vesting of share-based payments				\$ 81,151		\$ 81,151		\$ 81,151
Balance as at January 31, 2018	33,219,555	\$ 22,561,173	\$ 2,252,299	\$ 1,358,950	\$ 193,255	\$ 3,804,504	\$ (23,695,733)	\$ 2,669,944
Loss for the period from continuing operations							\$ (1,019,555)	\$ (1,019,555)
Issuance cost of share capital		\$ (3,250)						\$ (3,250)
Exercise of warrants	52,000	\$ 51,480	\$ (20,280)			\$ (20,280)		\$ 31,200
Exercise of stock appreciation rights					\$ (161,455)	\$ (161,455)	\$ 161,455	\$ 0
Vesting of share-based payments				\$ 96,477		\$ 96,477		\$ 96,477
Warrants and options expired in the period				\$ (588,009)		\$ (588,009)	\$ 588,009	\$ 0
Balance as at April 30, 2018	33,271,555	\$ 22,609,403	\$ 2,232,019	\$ 867,418	\$ 31,800	\$ 3,131,237	\$ (23,965,824)	\$ 1,774,816

Note: The statement of changes in equity is reflective of a 10:1 share consolidation which was effective 12 May 2017.
Amounts have been adjusted retrospectively for comparative purposes (See Note 1).

Unaudited Interim Statements of Cash Flows
For the three and six months ended 30 April 2018 and 2017

	Note	3 months ending April 30, 2018	3 months ending April 30, 2017 (Restated - Note 24)	6 months ending April 30, 2018	6 months ending April 30, 2017 (Restated - Note 24)
Cash Flows from (used in) Operating Activities					
Loss from continuing operations		\$ (1,019,555)	\$ (1,441,584)	\$ (2,261,143)	\$ (2,456,475)
Loss from discontinued operations	6	-	(22,007)	-	(39,112)
Items not affecting cash and non-cash adjustments:					
Depreciation on equipment		222	-	222	-
Share-based compensation	17	96,477	41,497	177,628	85,313
Interest accrued and amortization of transaction fees on long-term debt	10	47,622	44,204	94,556	88,095
Interest accrued on research and development repayable funding	9, 24	18,077	12,880	34,660	24,696
Net effect of foreign exchange rates on cash		(1,560)	2,684	(396)	3,581
Changes in non-cash operating working capital items:					
Trade and other accounts receivable		(10,813)	(14,456)	5,119	(17,161)
Prepaid expenses		(28,179)	7,176	(29,108)	(17,274)
Inventories		4,454	(12,949)	(176,404)	(11,302)
Accounts payable and accrued liabilities		(102,840)	271,325	43,306	348,531
Cash Flows used in Operating Activities		(996,095)	(1,111,230)	(2,111,560)	(1,991,108)
Cash Flows used in Investing Activities					
Purchase of equipment	12	(69,539)	-	(69,539)	-
Cash Flows used in Investing Activities		(69,539)	-	(69,539)	-
Cash Flows from (used in) Financing Activities					
Proceeds from issuance of private placement units	15	-	-	4,058,500	-
Share issuance cost	15	(3,250)	-	(400,155)	-
Repayment of long-term debt	10	(19,580)	(18,627)	(38,915)	(90,456)
Proceeds from the exercise of share purchase warrants	15, 16	31,200	15,000	31,200	1,292,171
Proceeds from the exercise of stock options	17	-	-	-	65
Cash Flows from (used in) Financing Activities		8,370	(3,627)	3,650,630	1,201,780
Increase (decrease) in cash and cash equivalents during the period		(1,057,264)	(1,114,857)	1,469,531	(789,328)
Net effect of exchange rate changes on cash and cash equivalents		1,560	(2,684)	396	(3,581)
Cash and cash equivalents, beginning of period		4,125,768	5,467,033	1,600,137	5,142,401
Cash and cash equivalents, end of period		\$ 3,070,064	\$ 4,349,492	\$ 3,070,064	\$ 4,349,492

Notes to the Unaudited Interim Financial Statements

In Canadian dollars, for the three and six months ended 30 April 2018 and 30 April 2017

1. Corporate information and going concern

Avivagen, Inc. (the "Corporation" or "Avivagen") is domiciled in Canada and its registered office is 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6.

On 8 May 2017, the Board of Directors approved a 10:1 share consolidation (reverse split) which was effective 12 May 2017. The financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation. These financial statements present these results as post-consolidated.

The Corporation is a life-sciences company that is developing and commercializing products to replace antibiotics in livestock feeds to optimize the health and growth of the animals by supporting the animal's own health defences. The Corporation has also created products intended to improve or maintain quality of life in companion animals.

Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which contemplates that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Corporation has not obtained profitable operations to date. For the three-month period ended 30 April 2018, the Corporation had a net loss from all operations of \$(1,019,555) (three months ended 30 April 2017: \$(1,463,591)). For the six month period ended 30 April 2018, the Corporation had a net loss from all operations of \$(2,261,143) (six months ended 30 April 2017: \$(2,495,587)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is \$(23,965,824) as of 30 April 2018 (31 October 2017: \$(22,454,145)). These circumstances cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry out its business objectives and was successful in raising additional equity financing in the current fiscal period. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to obtain the ongoing support of its lenders and investors, obtain profitable operations, generate significant sales and/or raise additional capital. These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of preparation and statement of compliance

The unaudited interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, London and the Interpretations of the International Financial Reporting Interpretations Committee and in effect on the date when approved by the Board of Directors. The Board of Directors approved the financial statements on 4 June 2018.

3. Summary of significant accounting policies

(A) Foreign currency translation

The financial statements are presented in Canadian dollars. The functional currency of the Corporation is the Canadian dollar. Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(B) Revenue recognition

Revenues are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over (1) the use of the products, (2) the channel, and/or (3) the final price to sell the products, all sales are final, and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Corporation has objective evidence that all criteria for acceptance have been satisfied. All of the Corporation's sales and performance obligations occur as at a point in time. As at the end of the reporting period, there are no unfulfilled performance obligations extending beyond a year. The Corporation's products are sold without any subsequent pricing adjustments and accordingly there has been no variable consideration assessment. No element of financing is deemed present, as all sales require advance payment, an irrevocable letter of credit, or payment within 30 days. The Corporation's only obligation is to provide an exchange for products under the standard

Notes to the Unaudited Interim Financial Statements

In Canadian dollars, for the three and six months ended 30 April 2018 and 30 April 2017

assurance warranty terms and conditions. The warranty requirements, if any, are recognized as a provision under IFRS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. A receivable is recognized when the goods are delivered. This is the point in time that the consideration is unconditional as only the passage of time is required before payment is due. All advance payments, if any, are recorded as a liability called deferred revenue.

(C) Taxes

Current income tax assets and liabilities for the respective and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date in the countries where the Corporation operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(D) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Corporation has an interest-free repayable funding obligation from the Government of Canada Atlantic Canada Opportunities Agency (ACOA). The liability related to each individual drawdown of the facility was recorded at its fair value as of each respective drawdown date. The Corporation used the assumption of a 35% discount rate and future projected revenues to determine the fair value. The difference between the amount received in cash on each drawdown date and the related fair value was considered a government grant and was recognized as an item of income in the respective statements of comprehensive income. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment.

(E) Financial instruments – initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized cost or fair value through other comprehensive income (FVTOCI) are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the statements of comprehensive loss.

Financial Assets

The Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial Assets at Amortized Cost

Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash-flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near-term or for short-term profit taking (held-for-trading).

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as FVTPL. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the statements of comprehensive loss.

The method of measurement of investments in debt instruments will depend on the business model in which the instrument is held. For investments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other

Notes to the Unaudited Interim Financial Statements

In Canadian dollars, for the three and six months ended 30 April 2018 and 30 April 2017

comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial Liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss within the statements of comprehensive loss. Such gains or losses recognized in profit or loss include any interest paid on the financial liabilities. Financial liabilities that are not held-for-trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

Impairment

The Corporation assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(F) Compound instruments

The component parts of compound instruments (e.g., debt issued with warrants) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without warrants. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The warrants classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. Warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the warrants. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

(G) Treasury shares

Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive loss on the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized within equity in contributed surplus.

(H) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity at the date of acquisition of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(I) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(J) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options, warrants, and stock appreciation rights (SARs). Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options, warrants, or SARs are

Notes to the Unaudited Interim Financial Statements

In Canadian dollars, for the three and six months ended 30 April 2018 and 30 April 2017

used to repurchase common shares at the average market price during the period. Since the Corporation was in a loss position in all periods presented herein, the effect of all outstanding share options, warrants, and SARs is anti-dilutive, therefore diluted loss per share is equal to basic loss per share for both periods.

(K) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(L) Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation of laboratory equipment is calculated on a straight-line basis over the estimated useful life of 15 years. The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(M) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Operating lease payments are recognized as an expense in the statement of comprehensive loss on a straight-line basis over the lease term.

(N) Share-based payment

The Corporation accounts for share-based payment options using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using the Black-Scholes option valuation model. In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

(O) Joint arrangement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these unaudited interim financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the joint venture. When the Corporation's share of losses of a joint venture exceeds the Corporation's interest in that joint venture the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of IFRS 9 *Financial Instruments* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Corporation's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with a joint venture of the Corporation, profits and losses resulting from the transactions with the joint venture are recognized in the Corporation's financial statements only to the extent of interests in the joint venture that are not related to the Corporation.

(P) Discontinued operations

A discontinued operation is a component of the Corporation that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive loss.

4. Significant accounting judgments, estimates, and assumptions

The preparation of the financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosures of contingent assets and liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or

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liability affected in future periods. In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effects on the amounts recognized in the financial statements.

Carrying amount of ACOA research and development repayable funding (ACOA loan)

The initial fair value of the ACOA loan was determined by using a discounted cash flow analysis, which requires a number of assumptions. The difference between the face value and the initial fair value of the ACOA loans was recorded in the statement of comprehensive loss as a government grant. The carrying amount of the ACOA loans requires management to adjust the loans to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate of 35%. Any adjustments are recognized in the statement of comprehensive loss as accreted interest after initial recognition.

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the ACOA loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. The Corporation is in the commercialization and early-revenue stages for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimates of future revenues assume no significant revenue in the near future. The discount rate determined on initial recognition of the loans is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Corporation considered the interest rates of similar long-term debt arrangements, with similar terms. The loans are repayable based on a percentage of gross revenue, accordingly finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used a discount rate of 35% to discount the loans.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all loans, with repayment terms based on future revenue, had been determined to be higher by 10% (45%) or lower by 10% (25%), the carrying value of the long-term debt at 30 April 2018 would have been an estimated \$52,664 lower or \$92,220 higher, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at 30 April 2018 being an estimated \$17,667 higher or \$17,662 lower, respectively. If the total forecasted revenue were reduced to \$nil, no amounts would be forecast to be repaid on the non-current portion of the ACOA loans and the ACOA loan at 30 April 2018 would be \$25,566, which would be a reduction in the ACOA loan by \$193,190. Refer to the audited annual financial statements for the year ended 31 October 2017 for details on the prior period.

Share-based Payments

Share-based payments are estimated using a Black-Scholes pricing model (Black Scholes). This model requires management estimates and assumptions on the life of the instrument and the volatility.

Joint Venture

The Corporation has a 49% ownership in Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company (the "Joint Venture"), a company incorporated in China. The Joint Venture will assist in marketing, registering and distributing the Corporation's product in China. Shaanxi Jintai Mining Co. (the "Partner") holds a 51% interest and has contributed \$296,055 (1,530,000 Chinese Yuan Renminbi or RMB). Since the Corporation has 50% representation on the Board of Directors, the Corporation has joint control and must account for the Joint Venture as a joint venture under the guidance of IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*. The arrangement is that the 51% Partner will make all contributions up to \$296,055 (1,530,000 RMB). Once the Joint Venture has achieved profitability, equity will be distributed and returned to the Partner until its initial contributions are repaid. Once the Partner's initial contribution has been repaid, the Corporation will begin making equity contributions until \$284,445 is funded (1,470,000 RMB). Under IAS 28 *Investments in Associates and Joint Ventures*, there is no equity asset or equity liability recognized on the statement of financial position, as the Corporation has made no contributions to the entity, the Corporation does not share in the current profit or loss of the joint venture on the Joint Venture's statement of comprehensive loss to date, and has received no dividends or distributions. The Corporation has no current obligation to fund the Joint Venture under IAS 28 *Investments in Associates and Joint Ventures* or IAS 37 *Provisions and Contingent Liabilities*. However, the Corporation has a commitment to make contributions up to \$284,445 (1,470,000 RMB) and/or transfer sales rights (the "Option") over the next ten years under certain events. As part of the initial agreement, the Corporation has granted to the Partner an exclusive distribution license to the poultry and swine market in China. The agreement also allows an Option which, if exercised by the Partner, will transfer an exclusive distribution license to the cattle and goat market in China. The Joint Venture's functional currency is assessed as the Chinese Renminbi.

5. Standards issued but not yet effective and standards adopted

As at the date the Corporation's Board of Directors approved the financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation and in certain cases have been early-adopted.

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The International Accounting Standards Board issued on 13 January 2016 a new accounting standard called IFRS 16 *Leases*. IFRS 16 *Leases* replaces IAS 17 *Leases*. IFRS 16 *Leases* requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 *Leases* is effective 1 January 2019. The Corporation has assessed and determined that there will be no impact to the financial statements when adopted on 1 November 2019. As at 1 November 2019, the Corporation will have five months remaining on its only lease contract. The Corporation will adopt the modified retrospective approach and elect the short-term lease exemption. Therefore, no asset or liability will be recognized as at 1 November 2019 unless the Corporation renews the lease before 1 November 2019.

All other new standards were early adopted or were not relevant as explained in the 31 October 2017 audited financial statements.

6. Operating segment information and discontinued operations

The Corporation's chief operating decision maker, the Interim Chief Executive Officer, monitors the Corporation's operations as one business segment: products based on OxC-beta™ Technology.

On 25 September 2017, the Corporation discontinued its chemistry product operating segment. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive loss and in the statement of cash flows. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned. All of the Corporation's assets and liabilities are located in Canada.

The Corporation determines the geographic location of revenues from continuing and discontinued operations based on the location of its customers.

Sales for three months ending:	OxC-beta™ (Continuing operations)		Chemistry (Discontinued operations)	
	30 April 2018	30 April 2017	30 April 2018	30 April 2017
United States	\$ 23,003	\$ 5,529	\$ Nil	\$ Nil
Europe	\$ Nil	\$ Nil	\$ Nil	\$ 29,074
Philippines	\$ 193,620	\$ Nil	\$ Nil	\$ Nil
Other	\$ 2,256	\$ Nil	\$ Nil	\$ 4,960
	\$ 218,879	\$ 5,529	\$ Nil	\$ 34,034

Sales for six months ending:	OxC-beta™ (Continuing operations)		Chemistry (Discontinued operations)	
	30 April 2018	30 April 2017	30 April 2018	30 April 2017
United States	\$ 38,414	\$ 10,017	\$ Nil	\$ Nil
Europe	\$ Nil	\$ Nil	\$ Nil	\$ 38,217
Philippines	\$ 321,405	\$ 35,793	\$ Nil	\$ Nil
Other	\$ 2,256	\$ Nil	\$ Nil	\$ 17,873
	\$ 362,075	\$ 45,810	\$ Nil	\$ 56,090

From continuing operations, the Corporation had significant sales to one customer of \$193,620 (88% of all revenue) in the three-month period ended 30 April 2018 (three months ended 30 April 2017: no significant sales to a single customer). The Corporation had significant sales from continuing operations to one customer of \$321,405 (89% of all revenue) in the six-month period ended 30 April 2018 (six months ended 30 April 2017: \$35,793 or 78% of all revenue to one customer).

Discontinued operations

On 25 September 2017, the Corporation disposed of its chemistry products operating segment. The Corporation did not dispose of any assets or liabilities that were recorded on the statement of financial position. Intangible assets transferred in the disposal were not recorded on the statement of financial position as they did not meet the recognition criteria of IFRS.

The gain on disposal of discontinued operations was determined as follows:

Cash consideration received	\$ 5
Pre-tax gain on disposal of discontinued operations	\$ 5
Related tax expense	\$ Nil
Gain on disposal of discontinued operations	\$ 5

Results of discontinued operations for the three months ended

	30 April 2018	30 April 2017
Revenue	\$ Nil	\$ 34,034
Selling, general and administrative expenses	Nil	(13,525)
Research and development expenses	Nil	(42,516)
Tax expense	Nil	Nil
Loss for the period	\$ Nil	\$ (22,007)

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Statement of cash flows from discontinued operations for the three months ended

	30 April 2018	30 April 2017
Operating activities	\$ Nil	\$ (22,007)
Investing activities	Nil	\$ Nil
Financing activities	Nil	\$ Nil
Net cash used in discontinued operations	\$ Nil	\$ (22,007)

Loss per share from discontinued operations for the three months ended

	30 April 2018	30 April 2017
Loss attributable to equity holders for basic loss from discontinued operations	\$ Nil	\$ (22,007)
Loss attributable to equity holders adjusted for dilution	\$ Nil	\$ (22,007)
Weighted average number of common shares for basic loss per share	33,229,600	29,068,153
Loss per share (basic and diluted)	\$ Nil	\$ (0.00)

Results of discontinued operations for the six months ended

	30 April 2018	30 April 2017
Revenue	\$ Nil	\$ 56,090
Selling, general and administrative expenses	Nil	(25,393)
Research and development expenses	Nil	(69,809)
Tax expense	Nil	Nil
Loss for the period	\$ Nil	\$ (39,112)

Statement of cash flows from discontinued operations for the six months ended

	30 April 2018	30 April 2017
Operating activities	\$ Nil	\$ (39,112)
Investing activities	Nil	\$ Nil
Financing activities	Nil	\$ Nil
Net cash used in discontinued operations	\$ Nil	\$ (39,112)

Loss per share from discontinued operations for the six months ended

	30 April 2018	30 April 2017
Loss attributable to equity holders for basic loss from discontinued operations	\$ Nil	\$ (39,112)
Loss attributable to equity holders adjusted for dilution	\$ Nil	\$ (39,112)
Weighted average number of common shares for basic loss per share	32,570,597	28,912,729
Loss per share (basic and diluted)	\$ Nil	\$ (0.00)

7. Income taxes

The Corporation has income tax losses for Canadian federal and provincial taxes which may be carried forward to reduce future years' taxable income and expire as follows:

2020 ¹	\$ 25,565
2026	544,416
2027	911,198
2028	437,970
2029	1,369,413
2030	1,929,974
2031	2,857,669
2032	2,079,046
2033	1,056,010
2034	1,862,826
2035	2,453,329
2036	2,708,722
2037	5,249,266
2038	2,048,856
Indefinite ²	548,650
	\$ 26,082,910

Note 1: Investment tax credits

Note 2: Of the \$548,650 of unclaimed Canadian federal and provincial research and development expenditures, \$299,650 is subject to review, assessment, and approval by the Canadian Revenue Agency.

The Corporation has not recorded on the statements of financial position a contingent asset in the amount of \$118,277 related to the refundable portion of the Ontario Investment Tax Credit as it was not highly probable or virtually certain under IFRS 37 *Provisions, Contingent Liabilities and Contingent Assets* to be received. The Corporation has not made an Ontario Investment Tax Credit claim since 2007 and thus the new claim is subject to review, assessment, and approval by the Canada Revenue Agency.

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The Corporation also has the following unrecognized deferred income tax assets and liabilities for the periods ended as indicated, however they were not recorded on the statements of financial position because it was not probable that they would be realized:

	30 April 2018	31 October 2017
Deferred Tax Assets		
Non-capital loss carry-forwards	\$ 6,759,804	\$ 6,090,799
Cumulative eligible capital expenditures and PP&E	\$ 463,059	\$ 444,631
Scientific R&D tax credits and ITCs	\$ 152,167	\$ 131,423
Share issue costs	\$ 250,639	\$ 233,768
Total deferred income tax assets not recognized	<u>\$ 7,625,669</u>	<u>\$ 6,900,621</u>
Deferred income tax assets on the statement of financial position	<u>\$ Nil</u>	<u>\$ Nil</u>
	30 April 2018	31 October 2017
Deferred Tax Liabilities		
ACOA loan temporary difference	\$ 834,968	\$ 858,441
Deferred income tax liabilities on the statement of financial position	<u>\$ Nil</u>	<u>\$ Nil</u>

	Three months ended		12 months ended
	30 April 2018	30 April 2017	31 October 2017
Reconciliation of taxable losses for the periods ended			
Loss before income taxes from continuing operations	\$ (1,019,555)	\$ (1,441,584)	\$ (5,045,645)
Loss before income taxes from discontinued operations	\$ Nil	\$ (22,007)	\$ (90,016)
Total loss before income tax from all operations	<u>\$ (1,019,555)</u>	<u>\$ (1,463,951)</u>	<u>\$ (5,135,661)</u>
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	<u>\$ (270,182)</u>	<u>\$ (387,947)</u>	<u>\$ (1,360,950)</u>
Non-deductible share-based payments	\$ 25,566	\$ 10,997	\$ 81,664
Depreciation on equipment	\$ 59	\$ Nil	\$ Nil
Interest accretion on long-term debt	\$ 4,790	\$ 3,413	\$ 14,289
Income tax recovery not probable to be realized	<u>\$ 239,766</u>	<u>\$ 373,537</u>	<u>\$ 1,264,997</u>
Income tax recovery recognized on the statement of comprehensive loss	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ Nil</u>

	Six months ended		12 months ended
	30 April 2018	30 April 2017	31 October 2017
Reconciliation of taxable losses for the periods ended			
Loss before income taxes from continuing operations	\$ (2,261,143)	\$ (2,456,475)	\$ (5,045,645)
Loss before income taxes from discontinued operations	\$ Nil	\$ (39,112)	\$ (90,016)
Total loss before income tax from all operations	<u>\$ (2,261,143)</u>	<u>\$ (2,495,587)</u>	<u>\$ (5,135,661)</u>
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	<u>\$ (599,203)</u>	<u>\$ (661,331)</u>	<u>\$ (1,360,950)</u>
Non-deductible share-based payments	\$ 47,071	\$ 22,608	\$ 81,664
Depreciation on equipment	\$ 59	\$ Nil	\$ Nil
Interest accretion on long-term debt	\$ 9,185	\$ 6,544	\$ 14,289
Income tax recovery not probable to be realized	<u>\$ 542,888</u>	<u>\$ 632,179</u>	<u>\$ 1,264,997</u>
Income tax recovery recognized on the statement of comprehensive loss	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ Nil</u>

8. Loss per share

The outstanding number and type of securities that could potentially dilute basic earnings per share in the future but that were not included in the computation of diluted net loss per shares because to do so would have reduced the loss per share (anti-dilutive) as at 30 April 2018 are as noted below.

	Number outstanding
Stock Appreciation Rights (SARs)	60,000
Options – Share-based payments	2,079,055
Subscriber Warrants	5,967,980
Agent Warrants	494,422
Long-term Debt Warrants	500,000
Total	<u><u>9,101,457</u></u>

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	3 months ended	
	30 April 2018	30 April 2017
Loss attributable to equity holders for basic loss from continuing operations	\$ (1,019,555)	\$ (1,441,584)
Loss attributable to equity holders adjusted for dilution	\$ (1,019,555)	\$ (1,441,584)
Weighted average number of common shares for basic loss per share	33,229,600	29,068,153
Loss per share (basic and diluted)	\$ (0.03)	\$ (0.05)

	6 months ended	
	30 April 2018	30 April 2017
Loss attributable to equity holders for basic loss from continuing operations	\$ (2,261,143)	\$ (2,456,475)
Loss attributable to equity holders adjusted for dilution	\$ (2,261,143)	\$ (2,456,475)
Weighted average number of common shares for basic loss per share	32,570,597	28,912,729
Loss per share (basic and diluted)	\$ (0.07)	\$ (0.09)

9. Atlantic Canada Opportunities Agency (ACOA) research and development repayable funding

The Corporation entered into two agreements to obtain repayable funding from ACOA. Under the first agreement, the Corporation drew \$2,052,131 of which \$16,953 was repaid for a remaining obligation of \$2,035,178. Under the second agreement, the Corporation drew \$1,334,400 of which \$0 was repaid.

As discussed in Note 4, the ACOA loans were initially recognized at their fair value and are subsequently carried at amortized cost as determined by using a discounted cash flow analysis, which requires a number of assumptions. The significant assumptions used in determining fair value using discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate of 35%. Any adjustments are recognized in the statement of comprehensive loss as accreted interest after initial recognition.

The Corporation commenced repayment on 30 June 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. The next ACOA repayment is due on 30 June 2018 and is \$25,566 based on OxC-beta product sales of \$255,660 for the year ended 31 October 2017.

	Project 1	Project 2	Total
Balance as at 31 October 2016	\$ 13,061	\$ 118,111	\$ 131,172
Interest accrual during the period	\$ 5,260	\$ 48,659	\$ 53,919
Repayment of loan during the period	\$ (995)	\$ 0	\$ (995)
Balance as at 31 October 2017	\$ 17,326	\$ 166,770	\$ 184,096
Interest accrual during the period	\$ 1,561	\$ 15,022	\$ 16,583
Repayment of loan during the period	\$ 0	\$ 0	\$ 0
Balance as at 31 January 2018	\$ 18,887	\$ 181,792	\$ 200,679
Interest accrual during the period	\$ 1,701	\$ 16,376	\$ 18,077
Repayment of loan during the period	\$ 0	\$ 0	\$ 0
Balance as at 30 April 2018	\$ 20,588	\$ 198,168	\$ 218,756

	30 April 2018	31 October 2017
Current portion of repayable funding	\$ 25,566	\$ 25,566
Non-current portion of repayable funding	\$ 193,190	\$ 158,530
Total R&D Repayable Funding	\$ 218,756	\$ 184,096

Under the agreements, the Corporation must maintain a minimum shareholders' equity. The Corporation was in compliance with the covenant agreements as at 30 April 2018 and 31 October 2017. Under the terms of the research and development ACOA agreements, no dividends may be paid until the ACOA obligations are fully repaid.

10. Long-term debt

On 30 October 2015, the Corporation entered into an agreement with the Bloom Burton Healthcare Lending Trust (the "Trust") for a secured drawdown credit facility of up to \$1.8 million. Amounts drawn on the credit facility accrue interest at 12% annually, with 7% repayable each calendar quarter and the remaining 5% accruing to be repaid at maturity. For the first year of the facility, the 7% repayable interest was accrued and was paid on 13 November 2016. The facility matures 13 November 2019, at which time the full principal including all accrued

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interest becomes payable. The Corporation may prepay amounts outstanding under the facility before the maturity date under the following terms: after 13 November 2017 but before 13 November 2018, the Corporation must pay an additional 3% of any principal amount prepaid; and after 13 November 2018 but before 13 November 2019, the Corporation must pay an additional 2% of any principal amount prepaid.

In consideration for the credit facility, the Trust has been issued warrants to purchase common shares of the Corporation. Such warrants will vest and become exercisable in amounts proportionate to the amount of the facility which is drawn down. Up to 500,000 warrants will vest as the credit facility is drawn down at an exercise price of \$1.10. The warrants will remain exercisable up to the maturity date subject to potential acceleration under TSX Venture Exchange (TSX.V) policies in the event of repayment prior to the maturity.

Under IAS 32 *Financial Instruments: Presentation*, an entity is required to separate a financial instrument that contains a financial liability and an equity component using the residual method. The warrants are considered to be an equity component and the credit facility is considered a financial liability. Therefore, the financial liability is measured at the discount rate that a market participant would require without the equity component. The discount rate was determined to be 16%. Accordingly, as the credit facility is drawn, the financial liability will be recorded at its discounted value of 16% with the difference, being the warrants, accounted for as an equity transaction.

Initial recognition of the facility will be at its fair value at a discount rate of 16%. Subsequent recognition will use the effective interest method. Transaction and legal costs associated with the facility in the amount of \$99,023 have been recorded to equity and long-term debt on a pro-rata basis. The liability's transaction costs will be expensed using the effective interest method up to the maturity date of the facility.

On 13 November 2015, the Corporation drew \$1,000,000 from the credit facility and vested 277,778 warrants. The debt was recognized at \$866,477 and the equity was recognized at \$133,523. The warrants will be charged to the contributed surplus account until such time as the warrants are executed or expired. The Corporation amended the terms of the agreement to adjust the availability of the remaining \$800,000 drawdown from 29 December 2017 to 31 May 2018.

Subsequent to the end of the reporting period, the Corporation drew the remaining \$800,000 from the facility and the remaining 222,222 warrants have vested and are exercisable.

Balance as at 31 October 2016	\$ 944,823
Interest paid during the period	\$ (127,793)
Interest accrual during the period	\$ 157,801
Amortization of transaction costs during the period	<u>\$ 21,772</u>
Balance as at 31 October 2017	\$ 996,603
Interest paid during the period	\$ (19,335)
Interest accrual during the period	\$ 41,490
Amortization of transaction costs during the period	<u>\$ 5,444</u>
Balance as at 31 January 2018	\$ 1,024,202
Interest paid during the period	\$ (19,580)
Interest accrual during the period	\$ 42,179
Amortization of transaction costs during the period	<u>\$ 5,443</u>
Balance as at 30 April 2018	<u>\$ 1,052,244</u>

Current portion of long-term debt	\$ 80,156
Non-current portion of long-term debt	<u>\$ 972,088</u>
Balance as at 30 April 2018	<u>\$ 1,052,244</u>

The undiscounted future repayments per fiscal year on the loan with future accrued interest is as follows:

2018	\$ 39,249
2019	\$ 82,164
2020	<u>\$ 1,242,425</u>
Total	<u>\$ 1,363,838</u>

11. Fair values

All financial assets and financial liabilities are carried at amortized cost under the business model as required under IFRS 9 *Financial Instruments*. Due to the short-term nature of the current financial assets and liabilities, the carrying value is approximately equal to the fair value and are assessed as a Level 3. The ACOA fair value (Level 3) is explained in Note 9, and the long-term debt approximates its fair value (assessed as a Level 3 as management estimated the discount rate to still be 16%).

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The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique: Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities; Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; Level 3: techniques which use inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

12. Equipment

	<u>Laboratory equipment</u>
Cost:	
At 31 October 2016	\$Nil
At 31 October 2017	\$Nil
Additions	\$69,539
At 30 April 2018	<u>\$69,539</u>
Depreciation:	
At 31 October 2016	\$Nil
At 31 October 2017	\$Nil
Depreciation charge for the period	\$222
At 30 April 2018	<u>\$222</u>
Carrying amount:	
At 30 April 2018	\$69,317
At 31 October 2017	\$Nil
At 31 October 2016	\$Nil

13. Inventories

	<u>30 April 2018</u>	<u>31 October 2017</u>
Work in process	\$ Nil	\$ 47,676
Finished goods	\$ 266,820	\$ 42,740
Total inventory	<u>\$ 266,820</u>	<u>\$ 90,416</u>

The amount of the inventories recognized as an expense in the three-month period ended 30 April 2018 is \$82,412 (30 April 2017: \$2,191). Inventory expense in the three-month period ended 30 April 2018 consists of \$82,412 in cost of product sold. Inventory expense in the three-month period ended 30 April 2017 consisted of \$2,191 in cost of product sold.

The amount of the inventories recognized as an expense in the six-month period ended 30 April 2018 is \$153,551. Inventory expense in the six-month period ended 30 April 2018 consists of \$137,476 in cost of product sold and \$16,075 in inventory expensed for marketing purposes. The amount of the inventories recognized as an expense in the six-month period ended 30 April 2017 is \$15,661. Inventory expense in the six-month period ended 30 April 2017 consisted of \$14,533 in cost of product sold and \$1,128 in inventory expensed for marketing purposes.

14. Trade and other accounts receivables

	<u>30 April 2018</u>	<u>31 October 2017</u>
Trade and other receivables	\$ 10,874	\$ 4,056
Receivables from tax authorities for HST input credits	\$ 83,009	\$ 94,946
	<u>\$ 93,883</u>	<u>\$ 99,002</u>

Trade and other receivables are non-interest bearing and are on 30-day terms. As at 30 April 2018, trade and other receivables were not impaired. The ageing analysis of trade and other receivables is as follows:

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired (days)</u>		
			<u>< 30</u>	<u>30-60</u>	<u>> 60</u>
30 April 2018	\$10,874	\$10,669	\$0	\$205	\$0
31 October 2017	\$4,056	\$4,056	\$0	\$0	\$0

15. Common Shares

The authorized share capital of the Corporation consists of an unlimited number of voting common shares.

On 1 June 2016, the Corporation completed a brokered and non-brokered private placement of 6,000,000 units for gross proceeds of \$3.6 million. Each unit consisted of one common share and one half common share purchase warrant for a unit price of \$0.60. Each whole warrant entitles the holder to acquire one common share of the

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Corporation at a purchase price of \$0.90 for two years. Related parties participated in the financing in the amount of \$112,280. The expiry date of the 3,000,000 investor warrants issued with this private placement was subsequently extended to 1 October 2018.

The common shares had a fair value of \$0.70 based on the previous 30 days' weighted average price as listed on the TSX.V and the current bid/ask spread and price on 1 June 2016. Based on the gross proceeds of \$3.6 million, the relative fair value of the common shares was \$2,930,233 and the investor warrants were assigned a relative fair value of \$669,767 for a total of \$3.6 million. The Corporation paid agent fees in connection with the transaction in the amount of \$225,485 and 375,809 agent warrants. These were based on a payment of 7% of the brokered proceeds. The agent warrants were assigned a fair value of \$146,566 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for two years at \$0.60. Legal transaction fees for the private placement were \$153,832. TSX.V filing fees were \$18,000.

The Black-Scholes calculation was based on the following assumptions: a stock price of \$0.70; exercise price for investor warrants \$0.90, for finder warrants \$0.60; time to maturity of 2 years; annual risk-free interest rate of 0.59% based on Bank of Canada 2-year benchmark bond yield; and historical 2-year stock volatility of 99%

On 30 November 2017, the Corporation completed a brokered and non-brokered private placement of 4,058,500 units for gross proceeds of \$4,058,500. Each unit consisted of one common share and one half common share purchase warrant for a unit price of \$1.00. Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of \$1.20 for three years. Related parties participated in the financing in the amount of \$510,000.

Based on the gross proceeds of \$4,058,500, the relative fair value of the common shares was \$3,202,305 and the investor warrants were assigned a relative fair value of \$856,195. The Corporation paid agent fees in connection with the transaction in the amount of \$286,330 and issued 283,080 agent warrants. These were based on a payment of 8% of the brokered proceeds. The agent warrants were assigned a fair value of \$154,278 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for three years at \$1.00. Legal transaction fees for the private placement were \$93,387. TSX.V and other filing fees were \$20,438.

The Black-Scholes calculation was based on the following assumptions: a stock price of \$0.95; exercise price for investor warrants \$1.20, for finder warrants \$1.00; time to maturity of 3 years; annual risk-free interest rate of 1.48% based on Bank of Canada 3-year benchmark bond yield; and historical 3-year stock volatility of 92%

16. Warrants

As at 30 April 2018, the Corporation had 6,962,402 warrants outstanding. The details are as follows:

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
16-Dec-2014	1,163,738			3	1-Oct-2018 ¹	\$ 1.00
30-Oct-2015			500,000	4	13-Nov-2020	\$ 1.10
1-Jun-2016	2,774,992			2	1-Oct-2018 ²	\$ 0.90
1-Jun-2016		211,342		2	1-Jun-2018	\$ 0.60
30-Nov-2017	2,029,250			3	30-Nov-2020	\$ 1.20
30-Nov-2017		283,080		3	30-Nov-2020	\$ 1.00
	5,967,980	494,422	500,000			

Note 1: On 12 March 2018, 1,163,738 subscriber warrants with an expiry date of 30 June 2018 were approved by the TSX.V to be extended to 1 October 2018. These subscriber warrants were previously extended from an expiry date of 16 December 2017.

Note 2: On 12 March 2018, 2,774,992 subscriber warrants with an expiry date of 1 June 2018 were approved by the TSX.V to be extended to 1 October 2018.

Of the 500,000 long-term debt warrants issued, 277,778 have vested as at 30 April 2018. The remaining 222,222 vested subsequent to the reporting period on 17 May 2018.

17. Share-based payments and stock appreciation rights

The Corporation adopted a stock option plan (Plan) on 4 August 2005. The Plan is administered by the Board of Directors of the Corporation who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one day and three years. Options under the Plan remain exercisable for five years from the date of grant. The option pool was amended on 26 February 2018. As a result, the maximum number of common shares reserved for issuance for options that may be granted under the Plan is 3,321,955. The following table represents options issued, exercised, expired, and forfeited.

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	Total	Weighted average exercise price
Balance Outstanding at 31 October 2016	1,842,777	\$ 0.876
Granted	80,000	\$ 1.00
Granted	428,433	\$ 1.10
Exercised	(5,308)	\$ 0.65
Exercised	(5,834)	\$ 0.80
Forfeited	(20,417)	\$ 0.65
Forfeited	(4,999)	\$ 0.70
Forfeited	(39,167)	\$ 0.80
Balance Outstanding at 31 October 2017	2,275,485	\$ 0.927
Granted	60,000	\$ 0.90
Balance Outstanding at 31 January 2018	2,335,485	\$ 0.926
Granted	652,540	\$ 0.90
Forfeited	(28,319)	\$ 1.10
Expired and forfeited	(788,775)	\$ 1.00
Forfeited	(51,667)	\$ 0.70
Forfeited	(14,167)	\$ 0.80
Forfeited	(26,042)	\$ 0.65
Balance Outstanding at 30 April 2018	2,079,055	\$ 0.898

Options exercisable at:	Total	Weighted average exercise price
30 April 2018	1,059,355	\$ 0.850
31 October 2017	1,732,581	\$ 0.895

Exercise price	Options Outstanding	Options Exercisable	Weighted average remaining contractual life in months
\$1.00	100,000	100,000	5.5
\$1.00	36,000	36,000	11.1
\$0.70	215,000	215,000	12.7
\$0.90	60,000	60,000	0.3
\$0.90	60,000	60,000	24.7
\$0.65	142,900	142,900	27.7
\$0.80	255,000	223,125	37.8
\$0.80	17,500	17,500	0.3
\$1.00	80,000	36,667	46.0
\$1.10	383,123	143,671	49.0
\$1.10	16,992	16,992	0.3
\$0.90	60,000	7,500	55.8
\$0.90	652,540	-	59.4
	2,079,055	1,059,355	

On 22 June 2016, the Corporation granted 331,667 stock options to employees, directors, and consultants. The options will vest over 8 quarters. The stock options were granted pursuant to the terms of the Plan and are exercisable at \$0.80 per share. The fair value of the options was determined to be \$0.55 based on a Black-Scholes calculation using the following assumptions: a stock price of \$0.70; exercise price of \$0.80; expected life of 5 years; annual risk-free interest rate of 0.70% based on Bank of Canada 5-year benchmark bond yield; and historical 5-year stock volatility of 114%. Volatility was determined by using the historical volatility of the stock over a 3 to 5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

On 27 February 2017, the Corporation granted 80,000 stock options to employees. The stock options were granted pursuant to the terms of the Plan and are exercisable at \$1.00 per share. The fair value of the options was determined to be \$0.76 based on a Black-Scholes value using the following assumptions: a stock price of \$1.00, an exercise price of \$1.00, expected life of 5 years, annual risk-free interest rate of 1.12% based on Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 102%. Volatility was determined by using the historical volatility of the stock over a 5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. 60,000 of the options will vest over 8 quarters and 20,000 options will vest over 3 years.

On 30 May 2017, the Corporation granted 428,433 stock options to employees, consultants, and members of the Board of Directors. The stock options were granted pursuant to the terms of the Plan and are exercisable at \$1.10 per share. The fair value of the options was determined to be \$0.816 based on a Black-Scholes value using the following assumptions: a stock and exercise price of \$1.10, expected life of 5 years, annual risk-free interest rate

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of 0.96% based on the Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 99.89%. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. The options will vest over 8 quarters.

On 22 December 2017, the Corporation granted 60,000 stock options to a corporation controlled by a director of the Corporation. The stock options were granted pursuant to the terms of the Plan and are exercisable at \$0.90 per share. The fair value of the options was determined to be \$0.639 based on a Black-Scholes value using the following assumptions: a stock and exercise price of \$0.90, expected life of five years, annual risk-free interest rate of 1.84% based on the Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 92.03%. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. The options will vest over 8 quarters.

On 10 April 2018, the Corporation granted 652,540 stock options to employees, consultants, and members of the Board of Directors. The stock options were granted pursuant to the terms of the Plan and are exercisable at \$0.90 per share. The fair value of the options was determined to be \$0.713 based on a Black-Scholes value using the following assumptions: a stock and exercise price of \$0.90, expected life of 5 years, annual risk-free interest rate of 2.03% based on the Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 110.11%. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. The options will vest over 8 quarters.

On 20 May 2014, the Corporation issued 60,000 SARs to the Chairman of the Board of Directors with an exercise price of \$0.70. They expire on 20 May 2019. All SARs issued are fully vested and are redeemable into cash or common shares at the option of the Corporation.

For the three-month period ended 30 April 2018, the Corporation recorded \$96,477 (30 April 2017: \$41,497) as contributed surplus and compensation expense for the vesting of share-based payments, which is measured at fair value at the date of grant and is graded and expensed over the option's vesting period. For the six-month period ended 30 April 2018, the Corporation recorded \$177,628 (30 April 2017: \$85,313)

18. Accounts payables and accrued liabilities

As at the periods ended

	30 April 2018	31 October 2017
Trade payable and accrued liabilities	\$ 345,082	\$ 241,148
Staff and board compensation payable	\$ 33,426	\$ 94,054
Management bonuses payable	\$ 165,000	\$ 165,000
Total	\$ 543,508	\$ 500,202

Trade payables are normally settled on 30-day terms. All other payables are non-interest bearing and are monies due for key management compensation and employees' earned vacation pay. Subsequent to the period end, the Corporation settled the \$165,000 management bonus payable through the issuance of 107,944 common shares at \$0.80 per share and the remittance of certain amounts in statutory deductions to the Canada Revenue Agency on behalf of the employee.

19. Expenses: disclosure of expenses by nature

	3 months ending		6 months ending	
	30 April 2018	30 April 2017	30 April 2018	30 April 2017
Selling, general, and administrative				
Salary, wages, and benefits	\$ 217,043	\$ 516,961	\$ 448,956	\$ 737,653
Professional fees and other	562,114	638,995	1,288,727	1,185,484
Board fees	45,813	42,085	95,289	96,290
Share-based payment	96,477	41,497	177,628	85,313
Total selling, general, and administrative	\$ 921,447	\$ 1,239,538	\$ 2,010,600	\$ 2,104,740
Research and development				
Salary, wages, and benefits	\$ 110,290	\$ 91,789	\$ 216,773	\$ 191,294
Professional fees and other	58,364	56,511	128,931	78,927
Total research and development	\$ 168,654	\$ 148,300	\$ 345,704	\$ 270,221

20. Related party disclosures and key management compensation

Avivagen holds a 49% interest in Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company, a company incorporated in China.

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Key management consists of the Interim Chief Executive Officer and the Board of Directors. Their compensation is as follows:

<i>For the periods ended:</i>	3 months ending		6 months ending	
	30 April 2018	30 April 2017	30 April 2018	30 April 2017
Short term employee benefits	\$ 275,804	\$ 205,840	\$ 544,473	\$ 394,237
Termination payment	\$ 0	\$ 303,704	\$ 0	\$ 303,704
Share-based payments	\$ 71,501	\$ 17,236	\$ 126,153	\$ 42,841
Total key management compensation	\$ 347,305	\$ 526,780	\$ 670,626	\$ 740,782

The Corporation has received legal services from a firm that is a related party, as a former director of the Corporation is a partner at the legal firm. The Corporation did not incur any expense or payables related to the legal firm in the three or six-month periods ended 30 April 2018 (30 April 2017: expense of \$190,015 incurred in the six-month period; \$227,776 payable as at 30 April 2017).

The Corporation is the ultimate parent entity. The common shares are widely held, with no controlling shareholder.

21. Financial risk management objectives and policies

The Corporation's primary risk management objective is to protect the Corporation's balance sheet and cash flow.

The Corporation's principal financial assets are cash and cash equivalents. The Corporation's principal financial liabilities comprise research and development repayable funding (ACOA), long-term debt, and trade and other payables. The main purpose of these financial liabilities is to raise finances and working capital for the Corporation's operations. The Corporation is exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees upon policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk and foreign currency risk.

Interest rate risk

The Corporation's exposure to interest rate risk is nominal considering the ACOA R&D repayable funding is subject to 0% interest. The long-term debt is subject to a 12% fixed interest rate and is not subject to exposure to interest rate changes. The Corporation invests surplus cash in bank demand deposits at two different financial institutions at current rates ranging from 1.16% to 1.55% which, due to their short-term nature, do not expose the Corporation to any significant interest rate risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenues or expenses are denominated in a different currency from the Corporation's functional currency. The Corporation is exposed to foreign exchange fluctuations against the Canadian dollar as the majority of its revenues and some of its expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the three-month period ended 30 April 2018, the Corporation's foreign exchange losses were \$1,735 (30 April 2017: losses of \$6,442). For the six-month period ended 30 April 2018, the Corporation's foreign exchange losses were \$4,184 (30 April 2017: losses of \$14,626). The US foreign exchange rates were as follows:

<u>As at:</u>	<u>US to CAD exchange rate</u>
31 October 2016	1.3403
30 April 2017	1.3662
31 October 2017	1.2893
30 April 2018	1.2836

The Canadian dollar carrying value of US dollar financial instruments are as follows:

Cash and cash equivalents	\$ 60,297
Trade and other accounts receivables	\$ 4,124
Accounts payable and accrued liabilities	\$ (35,246)
Total	\$ 29,175

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of loss and statement of changes in equity would be \$2,918.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation provides credit to its customers in the normal course of operations. The Corporation sells its products primarily to large corporations or with payment on receipt or in

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advance. The carrying amount of cash and cash equivalents and trade and other accounts receivable represents the maximum exposure to credit risk and at 30 April 2018 this amounted to \$3,163,947 (31 October 2017 - \$1,699,139). The cash and cash equivalents are held by two high credit quality financial institutions on behalf of the Corporation, therefore the Corporation considers the risk of non-performance to be remote. The trade and other accounts receivables consist of \$83,009 (31 October 2017: \$94,946) in HST input tax credits receivable.

Cash and cash equivalents are held as follows: \$2,016,179 in GIC payable on demand, \$1,018,885 held in interest and non-interest-bearing operating accounts at the Corporation's financial institution and payable on demand, and \$35,000 held as collateral against the Corporation's credit cards and payable on demand.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. See going concern note in Note 1.

Capital management

The Corporation manages its capital, which consists of cash provided from financing, long-term debt, and ACOA research and development repayable funding, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets. The Corporation continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

22. Commitments, guarantees, and collateral

Operating lease commitments – Corporation as lessee

The Corporation is committed under agreements for the rental of office space at a monthly rate of \$11,486 for the 2018 fiscal year and increases in future periods. The agreements will expire on 31 March 2020. They may be terminated by either party with nine months' notice. This operating lease requires rental payments over the life of the lease as follows (undiscounted value):

2018	\$	68,918
2019	\$	139,316
2020	\$	58,489
Total	\$	266,723

Guarantees and collateral

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation and maintains liability insurance for its directors and officers. Except for a \$35,000 term deposit for which RBC holds a lien against and which the Corporation can release upon the cancellation of the credit cards, the Corporation has pledged all of the assets of the Corporation in connection with the credit facility provided by the Bloom Burton Healthcare Lending Trust.

23. Events after the reporting period

Debt

On 17 May 2018, the Corporation drew the remaining \$800,000 from the Bloom Burton Healthcare Lending Trust. As a result of this drawdown, the remaining 222,222 long-term debt warrants related to the long-term debt have vested.

Settlement of accounts payable

On 8 May 2018, the Corporation received authorization from the TSX.V to settle a \$165,000 management bonus payable by issuing 107,944 common shares at a deemed price of \$0.80 per share and the remittance of certain amounts in statutory deductions to the Canada Revenue Agency on behalf of the employee.

Warrants and options

Between 8 May 2018 and 1 June 2018, 185,629 agent warrants were exercised at \$0.60 for gross proceeds of \$111,378. The agent warrants were originally issued on 1 June 2016.

On 1 June 2018, 25,713 agent warrants with an exercise price of \$0.60 expired.

On 10 May 2018, 94,492 stock options held by a former director of the Corporation expired. The options had a weighted average exercise price of \$0.917.

24. Restatement of research and development repayable funding

During the year ended 31 October 2017, the Corporation did not fair value the research and development repayable funding (Note 9), on initial recognition on the respective drawdown dates, as required under IFRS 9 *Financial Instruments* and IAS 20 *Government Grants*. As a result, the Corporation has restated the financial statements for periods prior to the year ended 31 October 2017 to recognize the drawdowns at their fair value of drawdowns at each respective drawdown date. The Corporation uses the assumption of a 35% discount rate and

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future projected revenues to determine the fair value. The fair value is a Level 3 discounted cash flow model (see Note 4 and Note 9). The difference between the amount received in cash on each drawdown date and the related fair value is considered a government grant and is recognized as an item of income in the respective statements of comprehensive loss. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment. The following table reflects the adjustments made in these financial statements to correct these prior period errors:

Please refer to the audited annual financial statements for 31 October 2017 as issued on 19 December 2017 for more information on the restatement.

	April 30, 2017		
	As Originally Presented	Adjustments	As Restated
Statement of financial position			
Current portion of research and development repayable funding	\$ 995	\$ 60	\$ 1,055
Long-term portion of research and development repayable funding	\$ 3,369,518	\$ (3,214,705)	\$ 154,813
Statement of comprehensive income - Three month period			
Accretion of research and development repayable funding	\$ -	\$ 12,880	\$ 12,880
Government grant on interest free loan	\$ -	\$ -	\$ -
Loss for the period from continuing operations	\$ (1,428,704)	\$ (12,880)	\$ (1,441,584)
Total comprehensive loss for the period from continuing and discontinued operations	\$ (1,450,711)	\$ (12,880)	\$ (1,463,591)
Statement of comprehensive income - Six month period			
Accretion of research and development repayable funding	\$ -	\$ 24,696	\$ 24,696
Government grant on interest free loan	\$ -	\$ -	\$ -
Loss for the period from continuing operations	\$ (2,431,779)	\$ (24,696)	\$ (2,456,475)
Total comprehensive loss for the period from continuing and discontinued operations	\$ (2,470,891)	\$ (24,696)	\$ (2,495,587)
Statement of changes in equity - Three month period			
Loss for the period from continuing operations	\$ (1,428,704)	\$ (12,880)	\$ (1,441,584)
Accumulated deficit	\$ (23,042,568)	\$ 3,214,705	\$ (19,827,863)
Shareholders' Equity	\$ (692,814)	\$ 3,214,705	\$ 2,521,891
Statement of cash flows - Three month period			
Accretion of research and development repayable funding	\$ -	\$ 12,880	\$ 12,880
Statement of cash flows - Six month period			
Accretion of research and development repayable funding	\$ -	\$ 24,696	\$ 24,696
Loss per share - Three month period			
Loss per share, basic and diluted from continuing operations	\$ (0.05)	\$ -	\$ (0.05)
Loss per share - Six month period			
Loss per share, basic and diluted from continuing operations	\$ (0.09)	\$ -	\$ (0.09)